

CENTRAL INTELLIGENCE AGENCY

19 April 1949

INTELLIGENCE MEMORANDUM NO. 164

SUBJECT: The Will and Ability of Certain Countries to Support and Develop Their Armed Forces, from Their Own Resources and with US Aid.

REFERENCE: JIGM-106, 29 March 1949; IM-156, IM-159

1. The Problem: to estimate the will and ability of Australia, China, Egypt, Germany (West), Iceland, India, Iraq, Ireland, Israel, New Zealand, Pakistan, The Philippines, Siam, Sweden, Syria and Lebanon, Transjordan (including Arab Palestine), Union of South Africa, and Yemen to support and develop their armed forces during the next eight years, from their own resources and with US military aid. In particular, to estimate, with respect to each of these countries:

a. Its will to resist Soviet military aggression, if need be (to be expressed in broad categorical terms such as strong, moderate, uncertain, or weak).

b. Its willingness to support national rearmament to the maximum practicable extent from its own resources.

c. Its national income and manpower potential.

d. The portion of this national income and manpower potential which it could afford to devote to its military establishment, having regard to the avoidance of unacceptable economic and political consequences.

e. The critical limiting factors with respect to the maintenance and development of its ground, air, and naval forces.

f. The effect of assumed progressive economic recovery on these limitations.

g. The amount of US military aid which it could effectively use within continuing critical limitations.

2. Estimates with respect to each of the countries named are in series of Enclosures which follow (in alphabetical order).

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AUSTRALIA

Australia's will to resist actual Soviet military aggression would be very strong. Its geographic isolation and traditional dependence for ultimate defense on the UK and the US, however, results in an unwillingness to carry out a maximum defense program except in the event of a clear and present danger, recognizable to the Australians. If they recognized such to exist, they would support a maximum program. They do not, however, so appraise the present situation.

The Commonwealth's total expenditures during FY 1945-46, the peak of its war effort, were \$A719.6 million (approximately \$2,302.7 million) of which \$A411.8 million (approximately \$1,317.7 million) or 57 percent were for war expenses. National income for that year was calculated at \$A1,270 million. For 1947-48 the Government budget called for total expenditures of \$A405.2 million (approximately \$1,296.6 million) of which \$A79.2 million (approximately \$253.7) or 19 percent were for defense. The National Income for 1947-48 was approximately \$A1,500 million. It is considered that under existing circumstances the Government would be unwilling to devote an appreciably larger proportion of its budget defense than it is currently doing.

With a total population of 7.7 million in 1946, the male population between the ages of 15 and 49 was 1,969,000. It was estimated that 1,500,000 of these could be regarded as fit for some form of military service.

A better indication of the number of men that Australia could induct into its armed forces, while at the same time maintaining its economy at high productivity, is the figure for its peak military strength during World War II. This figure was reached in 1943 when approximately 500,000 were in the armed forces. The current strength of the armed forces is approximately 30,000.

The critical shortage of manpower, is the most important factor affecting Australia's military potential. Within this limitation, however, Australia is capable, under a maximum effort, not only of equipping its own forces but of providing surplus materiel for its allies. The country has a diversified but modest industrial plant and, with the exception of petroleum and rubber, possesses the raw materials for it within its own territory.

The Commonwealth receives military aid from the UK and is not dependent upon US aid for developing its military potential to the maximum extent it, at present, is willing to undertake.

CHINA

China's will to resist Soviet military aggression, as a US ally, does not come into consideration, since that country or the greater part of it will probably be under a pro-Soviet government, and therefore will not be subject to the Soviet aggression in the sense that a US ally or potential ally would be. If under certain circumstances, however, the USSR took steps interpreted by the Chinese Government and people as aggressive, Chinese resistance of a weak but protracted nature might be expected.

China does not have now, and during the next eight years, will not have the industrial capacity to support any rearmament on a nation-wide scale, except small arms and ammunition.

According to western standards, China's national income is small, being derived principally from agriculture. For many years, from two-thirds to three-fourths of the national income has been used for military expenditures and contingent items. China's males of military age (15-49) are estimated at 130 million. Probably less than one-third of these, however, are fit for military service, because of physical disability. The effectiveness of this number is further reduced because of the low rate of literacy, lack of mechanical skills, and traditional disdain for the soldier. During the Japanese war, a peak number of 8,000,000 troops of all kinds, was mobilized. The nation's economy was not able to support a larger number of non-productive persons.

On the basis of past performance, Chinese leaders will exploit Chinese resources to the limit of their abilities; a practice which has been a large factor in continued political and economic deterioration. Under present conditions, however, this exploitation would be to the disadvantage rather than advantage of the US.

The lack of an adequate industrial base further limits the ability of the Chinese to develop modern ground forces. The low national income, lack of investment capital, paucity of heavy industry, shortages of skilled workers and trained technicians, and the inadequacy of communications and all types of transport make it unlikely that the Chinese -- no matter of what political stripe -- can develop or maintain naval and air components, or develop scientific warfare.

At present, the Chinese Communists do not need US military assistance, even if it were offered. Non-Communist groups need small arms, ammunition, mortars, and transport. US aid of this sort, if received within the next three to six months might have some effect in retarding extension of Communist control into presently Nationalist-held areas, although any such aid would quite likely fall into Communist hands by capture or in other ways. In Taiwan, and some very remote areas of the mainland, more extended resistance could be possible with additional military aid. In the long run, however, such aid to Nationalists would be of little if any significance.

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EGYPT

(a) Egypt's will to resist Soviet military aggression must be considered weak.

(b) With strong support from the Western powers, Egypt would probably be willing to support national rearmament to a considerable extent from its own resources. (Egypt's purpose in rearming would not necessarily be to resist Soviet aggression but to increase its relative strength in the Arab world.) Without such support, Egypt is unlikely to increase substantially the present strength of its armed forces.

(c) Data on Egypt's national income are not available. The government's budget for 1946-47 (a normal year) was \$428,000,000.

Egypt's population is approximately 19,000,000, of which an estimated 4,650,000 are men of military age (15 to 49). Because of the prevalence of disease, only a small proportion could be considered fit for military service.

(d) From 1945 to 1948 Egypt devoted approximately 8 percent of its budget to defense. In 1948-49, as a result of the Palestine crisis, Egypt has devoted 27 percent of its budget to defense. Over a period of years, Egypt could probably devote no more than 12 percent of its budget to its armed forces without endangering the nation's marginal economy and weak political structure. (Appendix A)

Egypt's armed forces currently total approximately 70,000. With US and UK aid, this figure could probably be increased to about 120,000 by 1953. A far larger number could be incorporated into the armed forces without ill effects on Egypt's economy or political structure.

(e) Critical limiting factors in regard to the maintenance and development of Egypt's armed forces are the low educational level of the mass of the people, and the lack of industries and economic resources to maintain the military equipment essential for a first-rate force.

(f) Egypt could effectively use a substantial amount of US military aid in the form of, first, training missions to improve the standard of the Egyptian armed forces and to give them technical training, and, second, materiel to equip armed forces totaling 120,000. (US aid to Egypt could probably be channelled most effectively through the UK.)

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APPENDIX A

	<u>Military Budget</u>	<u>Total Manpower</u>	<u>Strength of Armed Forces</u>
1949	60,000,000*	4,650,000	70,000
1950	60,000,000	4,700,000	70,000
1951	60,000,000	4,750,000	80,000
1952	60,000,000	4,800,000	100,000
1953	60,000,000	4,850,000	120,000

Note: These figures must be considered only as rough estimates.

* \$174,000,000 was budgeted for military expenditures during the Egyptian fiscal year March 1948-March 1949, largely in expectation of prologation of the Palestine war. It is extremely doubtful, however, that any such amount was spent.

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GERMANY (WEST)

(a) The will of the western German people to resist Soviet military aggression is conditioned by the necessity of choosing between occupation powers, none of which is welcome. Were western Germans required merely to declare for one or another power in the role of occupier, the Germans would prefer that one which promised increased autonomy and which could provide needed assistance for rehabilitation. The US alone is in this position. The USSR, Britain, and France cannot offer assistance, and the very nature of the Soviet system precludes realization of autonomy by the Germans. The long-range hopes of the western Germans are, therefore, to: obtain withdrawal of all occupation forces; avoid war on German soil; continue benefiting from US assistance; and renew trade with eastern markets.

Soviet conquest of all Germany would endanger the chances, if not terminate any hope of future German national autonomy; western conquest would not necessarily result in such permanent and close foreign control. In the event of war between East and West, the western Germans would desire to join a victorious west in hope of reward.

Two factors, however, militate against fulfillment of this desire: (1) the western allies would not be likely to emerge victorious until long after Germany had again been overrun; and (2) the western Germans have no current military capacity to offer in the form of a bargain.

If the western Germans possessed any military capacity and could join the West in driving the USSR from Germany, Germans would resist a Soviet advance with probably greater determination and skill than any other Western European power. These conditions do not obtain, however, and the Germans know it. At present, therefore, their will to resist is passive, and it will so remain pending a substantial approach to these conditions.

(b) The German will to support national rearmament to the maximum practicable extent from western German resources is also subject to present conditioning factors. At present and for the next eight years, the maximum efforts of western Germany cannot restore the economy sufficiently to produce a military establishment from German resources alone regardless of the practicability. Despite the inherent German willingness to make sacrifices for military purposes, western Germany's inability to lower its standards without dropping below the subsistence level would prevent the sacrifices regardless of the willingness.

(c and d) Western Germany's huge debts for occupation costs and the support provided largely by the US render a national income figure meaningless. The budget, composed of funds from both domestic and foreign

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sources, is subject to control by the occupation powers. No military budget exists, and none is in prospect. At present foreign capital is required to enable the country to live; only additional foreign capital could finance a military budget.

In the matter of manpower, the numerical potential of western Germany for military purposes is low in proportion to its population. War losses, including unrepatriated prisoners and postwar hazards to health, have combined to hold the number of eligible men to approximately four million. High standards established for military eligibility may also in part explain this small figure. At present, there are slightly over one million western Germans unemployed. Owing to the high ratio of unemployables, women, the infirm and aged, twenty percent of this number appears to be an optimistic estimate of the military manpower available directly or indirectly from this source. None of the gainfully occupied could be spared from the general economy. A western German police establishment of approximately 111,000 men would, however, be a source of military manpower. The total number of men of age and physical condition for active service who could be spared from the present and predictable future economy would be approximately 275,000.

(e) Were the national political aspirations outlined in (a) to appear possible of realization, local domestic political hindrances to western German participation in a joint western European military project would be negligible. The Communist Party of western Germany constitutes no more than a nuisance, and probably could be quickly neutralized if it offered active resistance.

(f) No arms or military matériel suitable for modern war exist. Furthermore, the hypercritical German would lose much of his customary efficiency if he were provided with inferior equipment. In order to utilize the maximum power available, it would be necessary to supply all equipment for the type of organization anticipated for a force of slightly less than 300,000.

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ICELAND

(a) Icelandic will to resist Soviet military aggression is weak almost to the point of being non-existent.

(b) Iceland has no armed forces currently, has not maintained any in the past nor has any significant indigenous resources for establishing or maintaining such forces. The likelihood of Iceland's establishing a significant armed force before 1957 is so remote that current consideration of willingness to support a national armed force is irrelevant.

(c) National income:
1947-48 average - \$150,000,000 (Estimated by ECA authorities. No valid basis is available for projecting this figure into the future)

(d) Political and economic factors plus the realities of the situation prevent Iceland from devoting a significant portion of its national income or manpower to a military establishment.

Critical limiting factors:

(e) As indicated in (d) above

(f) Iceland's ability to utilize U.S. military aid, as such, is negligible. Additional U.S. funds can be utilized in expanding and improving the Keflavik Airfield facilities.

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8 April, 1949

INDIA

a. Indian will to resist Soviet military aggression will be moderate.

b. As India is extremely desirous of attaining a more prominent position in world affairs and of maintaining and enhancing its dominance in South Asia, and as the government appreciates the need of military strength to assure the position desired, India will continue to manifest a willingness to support national rearmament to the maximum practicable extent from its own resources.

c. & d. Total receipts of the Government of India for 1948-49 approximate \$1,015,500,000 with expenditures listed in the budget of \$1,020,000,000, leaving a deficit of \$4,500,000. Of these expenditures approximately \$468,000,000 were spent on the military establishment, or nearly 46 percent of receipts. Military expenditures in the 1949-50 budget are estimated at \$472,100,000.

In neither year do the budget figures indicate so-called capital expenditures on the military defense establishment, which in 1948-49 amounted to about \$50,000,000 and in 1949-50 are expected to amount to about \$78,000,000. Thus total defense expenditures for the years 1948-49 and 1949-50 amount to approximately \$518 and \$550 million respectively.

India's budget approaches a balance only through the bookkeeping expedient of listing many items under a special category called capital expenditures. Actual expenditures during 1948-49 exceeded income by approximately \$445,170,000, or by 43 percent. While India is apparently prepared to continue deficit financing, its efforts to obtain funds by internal loans have, during the past year, been singularly unsuccessful, and it is already apparent that external loans obtainable in the near future will amount to only a moderate proportion of the sum required for projects which the Government of India considers to be of great importance. As a material increase in revenue through an increase of taxes does not appear feasible, recourse will of necessity be made to additional note issuance. However, money in circulation is already much in excess of the amount desirable with regard to the quantity of goods purchasable, and the resultant inflation has become a matter of serious concern. Thus the amount of additional money which the government will feel it can properly print will be limited. It is believed, therefore, that India will not, under current conditions, feel able to increase its military expenditures materially, and that in fact, with a final settlement

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APPENDIX "A"Military Expenditures

1948-49	\$510,000,000
1949-50	550,000,000
1950-51	525,000,000
1951-52	500,000,000
1952-53	500,000,000

Total Manpower: ages 15-49

1949	90,000,000
1950	90,900,000
1951	91,800,000
1952	92,725,000
1953	93,650,000

Maximum practicable strength of armed forces*

(including Regulars, States Forces, miscellaneous provincial units, frontiers scouts, etc.)

1949	490,000
1950	500,000
1951	485,000
1952	475,000
1953	475,000

*These figures represent the actual (1948-49) and probable size of India's armed forces supported by local resources, in time of peace, and in view of other commitments for agricultural and industrial development.

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of the Kashmir incident and a diminution of tension in respect to Pakistan, decreases may be expected insofar as strictly army expenses are concerned. A determination, however, to build up a rounded navy and air force will preclude any reduction on behalf of those services and may result in increases.

The following expenditures (approximate) by services have been authorized for 1949-50:

<u>Army</u>	<u>Navy</u>	<u>Air Force</u>	<u>Military expenditures not cited by Service</u>
\$400,000,000	\$30,000,000	\$50,000,000	\$70,000,000

It is believed that the \$70,000,000 shown above represents money allotted for the acquisition of land, construction of training institutions and living facilities for the armed forces, purchase of naval vessels (India now desires an aircraft carrier), and aircraft and equipment for the expanding air force.

Similar expenditures, with the variations suggested in the preceding paragraph, may be anticipated during the years 1950 to 1954.

The total male population of India between the ages of 15 and 34 inclusive is estimated at about 60,000,000 and between 15 and 49 inclusive at nearly 90,000,000. Of these, about 370,000 are at present in the regular army, about 6,600 in the RIN, and about 15,000 in the RIAF. As only about 1 1/2 percent of India's population is engaged in organized industry and as the land is vastly overpopulated and the peasant women are accustomed to performing with their men folk most of the agricultural tasks, it is apparent that on a purely numerical basis far more men are available for military service than could be used.

e. Critical limiting factors with respect to the maintenance and development of the ground, air, and naval forces are primarily: (1) India's dependence on outside sources--because of industrial underdevelopment and lack of scientific and technical knowledge of all heavy armament, motor transport, scientific equipment, aircraft, and ships for the navy (other than minor vessels); (2) illiteracy among 85 percent of the population; (3) lack of educated men of officer aptitude. Thus India is dependent upon foreign purchases for many items necessary to the maintenance and equipment of an army. Even with the purchase of these items, it is not believed capable of equipping and officering an army in excess of 1,000,000 men.

f. During World War II the Indian Army exceeded 2,000,000. It is believed to have been capable of considerably greater expansion, and, hence, the inclusion in that figure of men recruited from what is now Pakistan may be disregarded. Given sufficient outside aid, India could presumably support an army, based on consideration of minimum educational and aptitude requirements of some 6,000,000 men, provided enough officers could be found. Limiting factors in that connection would, however, probably render impractical any attempts to maintain an army in excess of 2,000,000. Lack of technical training and of any sizable body of men with previous experience would render any attempt at effectual augmentation of the air force and navy during the next few years impractical.

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IRAQ

(a) The will of Iraq to resist Soviet military aggression would be weak, unless the country were substantially bolstered by troops and materiel from the West. Iraq realizes the futility of depending on its own resources to provide effective resistance. (Occupation of the country in time of war by the UK could be effected under the terms of the Anglo-Iraqi Treaty.)

(b) Iraq has in the past been willing (perhaps too much so for the economic well-being of the country) to develop its military establishment. The primary purpose lay, however, in maintaining prestige and internal security and of checking possible incursions from neighboring states rather than with any thought of stopping a Soviet invasion. There is no reason to anticipate a change in this attitude, particularly in view of the results of the recent Palestine fighting.

(c) Expenditures of the Iraqi Government for the 1947-48 fiscal year amounted to some \$98,500,000, of which approximately \$17,400,000, or 18 percent was devoted to the Ministry of Defense.

The most recent census (and probably the only one taken for the past 4000 years) reported a total population of 4,799,500. Males of military age were estimated to number one million.

(d) Present chaotic economic conditions make any forecasting of Iraq's future financial position difficult. The country is now passing from a long inflationary period into one of deflation and depression, bringing the government to the verge of bankruptcy. Renegotiation of the present scale of oil royalties is now under discussion with the Iraq Petroleum Company; also, the Company is planning the construction of additional pipelines and facilities, which will affect future payments. Development projects under consideration provide another variable which cannot now be evaluated. It is probable, however, that Iraq will not be able to allocate consistently more than 20% of the Government's income to military expenditures without disrupting the country's economy.

The present Iraqi armed forces comprise approximately 32,000 men. It is doubtful that a substantially larger force could be maintained, equipped, and trained from Iraq's resources alone. Should materiel and training facilities be made available from other sources, the armed forces could probably be expanded to 75,000 men. (See Appendix B.)

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(e) Critical factors limiting the maintenance and development of its armed forces are Iraq's almost total lack of industrial potential and the low educational level of the mass of the population.

(f) Immediate effective US military aid to Iraq would be limited to supplying adequate material and equipment for the present armed forces. Before additional aid could be utilized, a military training mission would be required to develop a trained force capable of making use of such equipment.

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<u>Fiscal Year</u>	<u>Total Expenditures</u>	<u>For defense</u>	<u>Percent</u>
1938-39	\$22,850,000	\$ 6,500,000	28.4
1939-40	25,650,000	7,900,000	38.
1946-47	93,600,000*	19,800,000	21.
1947-48	198,500,000	17,400,000	17.7

* The increase over pre-war years is the result of severe inflation and does not represent an increase in real values.

APPENDIX B

<u>Year</u>	<u>Military Budget</u>	<u>Total Manpower</u>	<u>Maximum Practicable Strength of Armed Forces</u>
1949	\$20,000,000*	1,010,000	35,000
1950	20,000,000	1,020,000	45,000
1951	20,000,000	1,030,000	55,000
1952	20,000,000	1,040,000	65,000
1953	20,000,000	1,050,000	75,000

* Because of Iraq's serious economic and financial situation, it will probably not be able to spend much more on its military budget than it has in recent years. Should Iraq be unable to allocate this amount for defense, it is probable that any deficiency would be met by the UK. The UK is unlikely to permit the Iraqi Army to fall much below its present strength because internal security in Iraq is vital to British interests.

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IRELAND

(a) Ireland's will to resist Soviet military aggression would be very strong.

(b) Ireland is not now willing to support national rearmament to the maximum practicable extent, nor even to an appreciable extent, from its own resources. The military budget has been reduced in each of the last four years, and is less than 1 percent of total government expenditures.

(c) National income statistics for Ireland are available through 1944, only when national income was estimated (at then current prices) at \$1008 million; it was probably in the neighborhood of \$1252 million (in 1948 prices) in 1948.

As of 1 January 1948 the estimated number of males, age 15-49, was 750,000, of whom 593,440 were fit for military service. Total effective strength of the forces probably could not be raised above 300,000, and it is estimated that it would take eighteen months to reach this level.

(d) Ireland's present defense expenditure is less than 1.5 percent of its probable national income. In 1945, when military forces and expenditures were at the peak, military expenditures were about 3 percent of the national income. Economic considerations probably would preclude maintenance of military expenditures at a much higher level. Moreover, a sizable increase in the size and expense of the military establishment would, in time of peace, be politically impossible. Conscription could not even be considered in time of peace. As long as there is no grave emergency, it would be considered politically impossible and economically undesirable to increase the size and expense of the military establishment significantly (it now involves less than 9000 men on active duty -- although authorized forces are about 12,000 -- and about 16 million annually).

(e) The critical limiting factors with respect to the maintenance and development of the armed forces include: no heavy industry and no natural resources capable of supporting heavy industry; no petroleum resources; no capability for production of military equipment; agricultural basis of the economy; dislike of military cooperation with the UK because of Partition; possibility that an increase in military strength would stimulate demands from irresponsible quarters that "action" be taken to end Partition; lack of military tradition and experience (in the sense of maintenance of a large Irish standing army); lack of public enthusiasm for a large military establishment; strong public opposition to conscription.

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(f) Ireland could utilize enough US aid to enhance the effectiveness of its present forces; but probably could not and would not seek aid to expand appreciably beyond present authorized strength, at least not without a conviction that war was probable.

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Ireland

Military Budget
in Dollars

Manpower available
for military Service

1949 ----- \$ 14.8 million ----- 9000 -----

1950 ----- 16. million ----- 9000 -----

1951 ----- 16. million ----- 10,000 -----

1952 ----- 16. million ----- 11,000 -----

1953 ----- 16. million ----- 12,000 -----

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ISRAEL

(a) Israel's will to resist aggression from any quarter, but especially from the USSR, is strong; the strength of such resistance, however, would depend on the amount of US support forthcoming at the time of attack. In the event of an East-West war, Israel would strive for a Swiss-type neutrality.

(b) Since May 1948 Israel's limited manpower and economic resources, as well as its relatively substantial monetary resources, have been marshalled to the fullest extent in a fierce war for survival. For as long as Israel feels in imminent danger of reinvasion by the surrounding Arab states or plans further aggression against them, Israel will be forced to keep up disproportionately large armed forces despite the severe strain on its economy; but as soon as the Arab menace is less threatening, Israel will probably begin to reduce the size of its army. Although national security will continue to be the primary concern of Israel, the economic development of the state will be accorded a higher priority than rearmament against hypothetical Soviet aggression. Even though Israel cuts down the size of its army, however, it will attempt to increase the army's efficiency through mechanization and the acquisition of more modern equipment. Israel would be prepared to support this type of "rearmament" to the maximum practicable extent from its own financial resources.

(c) Because the size and variety of the contributions that flow into Israel from world Jewry cannot be estimated, Israel's national income is unknown. The Israeli budget for 1949 has not been published, but a number of Zionist sources quote \$75,000,000 as the estimated total.

The present population of Israel is estimated at 800,000, of whom approximately 248,000 are men of military age. If Israeli immigration continues at the expected rate of 100,000 per annum, Israel's population in 1953 will be approximately 1,400,000, of whom some 373,000 will be men of military age. (See Appendix A.)

(d) It is unlikely that Israel could afford to devote annually more than \$25,000,000, or one-third of its estimated normal budget, to its armed forces. In an emergency, however, Israel could almost certainly divert considerable funds from the large sums donated from abroad which are now applied to economic and social development schemes. As to manpower, it is vital to the economic development of the state that a large proportion of the men and women now serving in the Israeli

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armed forces be released to essential civilian occupations. It is unlikely, therefore, that Israel can afford to devote more than 50,000 men to its armed forces on a permanent basis.

(e) The one critical limiting factor with respect to the development and maintenance of Israel's armed forces is manpower. Because 59 percent of Israel's manpower is in the armed forces at present, agriculture and industry in Israel are badly disrupted. Quantities of this season's citrus crop rotted on the ground for want of pickers, and the housing shortage is rapidly becoming acute through lack of new construction. Israel's manpower must now be mobilized for its peacetime task of developing the state for the large-scale absorption of immigrants.

(f) Israel could effectively use two types of US military aid: a military training mission, and modern equipment of all types for an army of 50,000. Israel could probably afford to pay for this assistance.

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	<u>Military Budget</u>	<u>Total Manpower*</u>	<u>Maximum Practicable Strength of Armed Forces</u>
1949	\$25,000,000	273,000	100,000
1950	25,000,000	298,000	75,000
1951	25,000,000	323,000	60,000
1952	25,000,000	348,000	55,000
1953	25,000,000	373,000	50,000

* including estimated immigration of 100,000/year

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NEW ZEALAND

The will of New Zealand to resist Soviet aggression would be strong. New Zealanders, however, are opposed to compulsory military training at the present time and would be unwilling to support a national rearmament program unless a grave emergency arose in which Empire interests were threatened.

The Government budget for FY 1947-48 was NZ \$108,860,000 (\$348,352,000), of this amount NZ \$10,134,000 (\$32,428,800) or approximately 10 percent was allocated to the national military establishment. This figure represents a considerable decline from wartime expenditures, the maximum being NZ \$121,000,000 (\$387,000,000) spent for national defense during 1943.

The peak armed strength in World War II was 154,000 which is an equivalent of 44 percent of the male population between the ages of eighteen and forty-five years. It is assumed that this figure could be slightly exceeded in any future conflict. The total current strength of the NZ military forces is approximately 7,000.

New Zealand could not substantially increase current military expenditures without creating a serious maladjustment in its internal economy and substantially reducing its contributions to British recovery.

New Zealand's small population, (1,800,000) limits the number of men who can be spared for military service. The absence of any sizeable industrial development further limits the nation's ability to arm. New Zealand's manpower limitations dictate that defense forces be organized into small efficient military units for the defense of the homeland and as a contribution to Commonwealth defense forces. New Zealand has received and is continuing to receive technological and military advice from the UK, and it is doubtful that any substantial amount of US assistance could materially improve the present military situation.

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PAKISTAN

(a) Pakistan will strongly resist Soviet military aggression if necessary.

(b) At present, Pakistan is supporting national rearmament to the utmost of its ability, even to the point of possibly endangering its economic security, because of its fear of war with India. If this fear should subside, Pakistan would undoubtedly reduce its military expenditures.

(c) No data are available as to the national income of Pakistan. Government revenue accounts for the periods 15 August 1947 to 31 March 1948. Figures for 1 April 1948 to 31 March 1949 are not yet completed. However, the final estimate of government revenues for 1948-49 was \$286,940,000 (one rupee equals thirty cents). The estimated revenues for 1949-50 as announced on 28 February 1949 are \$333,780,000.

The total manpower of Pakistan between the ages of 15 and 49 as of 1 January 1948 has been estimated as about 20,600,000, of whom some 10,000,000 are believed to be physically fit for some form of military service. Of these last, only a very much smaller number, almost entirely from West Pakistan, would actually be usable as military material. The present armed strength, including army, navy, and air force, being maintained at very nearly Pakistan's financial limit, is about 172,000 men.

(d) In 1948-49 Pakistan is estimated to have spent \$120,840,000 on the armed services from current revenue with an additional \$63,330,000 charged to capital outlay, a total of \$184,170,000 devoted to national defense. The budget for 1949-50 calls for an expenditure of \$141,660,000 from current income and \$81,390,000 from capital outlay, a total of \$223,050,000. These expenditures are being made at the expense of unbalanced budgets and are primarily caused by fear of Indian aggression. They cannot be continued over a period of years without seriously endangering Pakistan's economy. If relations with India improve, it is anticipated that Pakistan's military budget may be cut within three years to a sum of \$120,000,000, which can be covered by current income. This is a figure which could be maintained for some time. Pakistan is considered more likely to cut its military budget in the near future than is India.

(e) Critical factors limiting Pakistan's military development are: (1) the fact that Pakistan has no heavy industry and very little light industry, so that all war materials have to be purchased from abroad; and (2) the fact that Pakistan, being almost entirely a nation of subsistence farmers, has relatively small revenues from which to support armed forces.

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(f) Entirely dependant upon outside sources for military equipment, Pakistan could use whatever initial supplies and maintenance services the US desired to send it, up to the martial manpower limits of the country. Based on considerations of minimum educational and aptitude requirements, these last are estimated to be between one and two million men.

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	<u>Military Budget</u>	<u>Total Manpower (Ages 15-49)</u>	<u>Maximum Practicable Strength of Armed Forces*</u>
1948		20,600,000	150,000
1949	\$184,170,000	20,806,000	172,000
1950	223,050,000	21,012,000	175,000
1951	200,000,000	21,218,000	170,000
1952	150,000,000	21,424,000	130,000
1953	120,000,000	21,630,000	110,000

* These figures represent the actual (1948-49) and the probable size of Pakistan's armed forces supported by indigenous resources, in time of peace, and in view of other commitments for agricultural and industrial development.

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THE PHILIPPINES

The Philippine Republic is friendly toward the US, and its will to resist Soviet or Chinese Communist military aggression is considered strong. This determination is based upon the assumption generally held in the Philippines that US support can be counted upon in the event of hostilities. Communist successes in China, the reduction of US forces and active bases in the Far East, and conflicting press statements concerning US defense policy in the Pacific have, however, had a disquieting effect among many Philippine officials who fear that their country may again be invaded. Extension of military assistance to the Philippines during the next eight years would largely dissipate these fears and would help to maintain the status quo.

The Philippine Republic is willing to support national rearmament to the maximum practicable extent from its own resources and is now doing so. Out of a budget of \$151.4 million for FY 1950, the Philippine Government has allocated \$45.5 (or 29.8 percent) for its Armed Forces (including the constabulary). Probably 40 percent (or 400,000) of an estimated 1,000,000 men of military age are suitable for military employment. Present total strength of the Armed Forces (including the constabulary) is 31,000. The Philippine Republic is devoting to its military establishment the maximum portion of its budget and is drawing heavily from its manpower potential. Considerations are being given, however, to the economic and political consequences of excessive rearmament. The primary objective of present Philippine military establishment is maintenance of internal security.

The Philippine economy would not permit mobilization of 400,000 men. The Philippine Government lacks the mobilization machinery, training capacity, and logistical means required to maintain and develop a military establishment capable of providing for external security against determined aggression.

The Joint US Military Advisory Group in Manila has recommended, and it is believed that the Philippines can absorb, military assistance to the amount of at least \$20 million which the Military Advisory Group believes necessary for maintenance of internal security.

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SIAM

Siam's will to resist Soviet military aggression, if need be, is uncertain, primarily from a realization of military inadequacies and the uncertainty of US military assistance. Siam's fear of a threat from a Communist China overrides consideration of a threat of Soviet aggression. Developments over the past year in China are already producing uneasiness and apprehension among the Siamese. A tendency has been noted among various classes to accept engulfment of Siam by Communism as inevitable. It is believed that concrete evidence of US assistance and interest in Siam might dispel this attitude. In addition, US military aid might produce a more active opposition to the spread of Communism in Siam. If the Siamese are convinced that no firm support is coming from the US, it seems probable that they will shape a policy for compromise with the Communist powers.

Siam would be willing to support national rearmament to the maximum practical extent from its own resources. In addition to apprehension over a possible Chinese Communist threat, the military regime which rules Siam would be willing to support rearmament because its own political strength depends, in a sense, on military expenditures. Siam has attempted to acquire military materiel from both the US and the UK, but to date has been able to get a small quantity of arms for a specified purpose only from the UK. Since the US has refused to sell arms, Siam is believed to have initiated purchases of US surplus military equipment held by private Philippine interests.

1) Siam's national budget:

	<u>1938</u>	<u>1947</u>	<u>1943</u>
Total	132 million baht* (US \$13,200,000)	1,171 million baht (US \$117,100,000)	1,848 million baht (US \$184,800,000)
Defense			
Ministry	27 million baht (US \$2,700,000)	133.6 million baht (US \$13,360,000)	191.1 million baht (US \$19,110,000)
Percent of total budget	20	11	10

* (official exchange rate: US \$1.00 = 10 baht)

2) Siam's manpower potential:

Military age group (18-30)	1,167,000 men
Mobilization potential	306,000 men
Military establishment (1945)	126,000 men
Military establishment (1948)	80,000 men

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Siam could afford to devote approximately 15-20 percent of the annual budget and approximately 150,000 men to the military establishment, having regard to the avoidance of unacceptable economic and political consequences. Siam at present is experiencing a favorable situation with regard to acquisition of foreign exchange, particularly dollars, but in order to maximize military expenditures, Siam would have to forego important rehabilitation and development projects.

The critical limiting factor with respect to the maintenance and development of Siam's ground, air, and naval forces are:

- 1) lack of basic production facilities. Although Siam possesses limited ordnance production and assembling facilities, most of the necessary raw materials and all military materiel, except minor quantities of explosives and small caliber ammunition, are imported.
- 2) The need of forces capable of maintaining internal security against a Communist coup.
- 3) Inadequate concepts of training for large-scale utilization of modern arms.
- 4) Repeated use of the armed forces by revival cliques to seize and maintain control of the government.

The Siamese armed forces could utilize effectively limited quantities (sufficient to equip existing forces) of US arms, transport, and communications equipment.

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Sweden

(a) Swedish will to resist would be strong, increasing with the assurance of outside aid.

(b) Willingness to Support National Rearmament: in accordance with a long-held policy of neutrality backed by armed strength, Sweden is willing to support national rearmament to the maximum practicable extent from its own resources.

(c) National Income: based on gross national product in millions of dollars at 1947 prices as estimated for ECA

1948/49.....	6404
1949/50.....	7039
1950/51.....	7114
1951/52.....	7319
1952/53.....	7443

National Income figures not available

Man Power Potential -

Estimated Total Males (15-49) -

1,800,000

Estimated Total Fit for Military Service (15-49) - 1,385,000

(d) Income and manpower Sweden can afford: Sweden presently spends slightly in excess of 3 percent of its gross national product on the Armed Forces, which include approximately 4,000 men. It is doubtful that more than 3.5 percent of the gross national product can be devoted to the military establishment if Sweden's ELP program is to be achieved and if the standard of living is to be maintained at a level which will not engender unsatisfactory political consequences. About 80/85,000 men could be effectively devoted to the military establishment.

(e) Critical Limiting Factors - Negligible coal and petroleum resources serve generally to limit Sweden's rather substantial industrial capacity; lack of facilities for manufacturing modern electronic devices or mass-production of modern aircraft for rapid re-equipment of units, represents the major problems; shortage of semi-processed commodities might retard production.

(f) U.S. Military Aid: Sweden could effectively utilize U.S. military aid for expanding present forces up to a maximum of approximately 85,000 men; also for meeting key shortages in modern aircraft and electronic devices plus replacement of obsolete items of equipment to bring all branches of the Armed Forces up to present-day standards. Once the Armed Forces were thus equipped, Swedish industry, plus imports of fuel, could approximately maintain them.

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Sweden

	Military Budget	Available Manpower
1949	222,000,000	75,000
1950	225,000,000	77,000
1951	225,000,000	79,500
1952	225,000,000	82,000
1953	225,000,000	85,000

SYRIA AND LEBANON

(a) The will of Syria and Lebanon to resist Soviet military aggression must be regarded as weak, not because they are pro-Soviet but because they are socially, politically, and economically unstable. Both countries also realize their inability to create any effective defense against Soviet aggression from their own resources. Substantial aid from the West might stiffen their resolution.

(b) Both countries, but Syria in particular, would probably be willing to support national rearmament in an effort to cope with problems of internal security and for defense against neighboring countries.

(c) Data on national income are not available. A tabulation of government expenditures with the proportion spent for defense will be found in Appendix A.

The present population of Syria is approximately 3,025,000, of whom 710,000 are males of military age. Lebanon contains 1,200,000 people, with males of military age numbering 280,000. Manpower potential of Arab refugees from Palestine now in these countries is also taken into consideration in Appendix B.

(d) With the exception of extraordinary expenses arising from the Palestine war, both countries have generally earmarked roughly 20 percent of government expenditures for defense purposes. It is doubtful that this percentage could be materially increased without affecting adversely the economy of the area. (See Appendix B.) Because of other critical limitations, manpower would not be a limiting factor in either country.

(e) The critical factors limiting the maintenance and development of the Syrian and Lebanese armed forces are: (1) corruption in military circles; (2) lack of personnel with adequate background and training in technical matters; and (3) lack of industrial potential.

(f) Immediate effective US military aid would be limited to supplying arms and equipment to the present armed forces. Effective use of the matériel would require the assignment of military training missions.

APPENDIX ASyrian Budget

<u>Year</u>	<u>Total Expenditures</u>	<u>For Defense</u>	<u>Percent</u>
1947	\$ 57,800,000	\$ 11,000,000	19
1948	58,900,000	12,500,000	21
1949	73,600,000	16,800,000	23
		12,000,000 emergency*	

* Added defense appropriation for Palestine war, cost to be met by "taxes on war profits"

Lebanese Budget

1946	27,600,000	5,600,000	20
1947	27,100,000	4,700,000	17
1948	29,000,000	5,000,000	17
1949	33,400,000	7,400,000	22

APPENDIX B

<u>Syria</u>	<u>Military Budget</u>	<u>Total Manpower*</u>	<u>Maximum Practicable Manpower</u>
1949	\$12,000,000	735,000	30,000
1950	12,000,000	740,000	40,000
1951	12,000,000	745,000	50,000
1952	12,000,000	750,000	60,000
1953	12,000,000	755,000	70,000

* Including Arab refugees (20% of 95,000)

Lebanon

1949	7,000,000	300,000	5,000
1950	7,000,000	302,000	10,000
1951	7,000,000	304,000	15,000
1952	7,000,000	306,000	20,000
1953	7,000,000	308,000	25,000

* Including Arab refugees (20% of 90,000)

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TRANSJORDAN (including Arab Palestine)

(a) While Transjordan would probably have a moderate will to resist Soviet aggression, this factor would be of little practical importance in view of the country's limited military potential. It is probable, however, that Transjordan would cooperate with the UK under the terms of the Anglo-Transjordan Treaty.

(b) Transjordan has never supported its armed forces from its own resources. These have been maintained through a subsidy from the British Government, a condition which will presumably continue.

(c) No estimate is available of national income. Annual government receipts are approximately \$4,500,000, an amount which does not cover normal necessary expenditures. Recent substantial expenses resulting from the Palestine war and the influx of Arab refugees have badly disorganized the country's finances.

The total normal population of Transjordan is estimated at 355,000, of which some 86,000 are of military age. (See Appendix A)

(d) Transjordan cannot be expected to devote any portion of its normal income to the support and development of its armed forces.

The Arab Legion now has a strength of about 12,000. Were adequate training facilities and equipment to be supplied, the force might be increased to 20,000 or possibly eventually to 25,000. (See Appendix A.)

(e) The critical limiting factors which would hinder the development of Transjordan's armed forces are the manpower shortage and the generally undeveloped, backward condition of the country and its people.

(f) The Arab Legion is reasonably well equipped with British material, except for shortages in some items such as ammunition. Effective US military aid would for some years be limited to supplying training missions and construction of basic facilities such as airfields. As the armed forces were built up, they would have to be equipped.

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APPENDIX A

	<u>Military Budget</u>	<u>Total Manpower**</u>	<u>Maximum Practicable Strength Armed Forces</u>
1949	\$10,000,000*	274,000	15,000
1950		249,000	20,000
1951	Future British	251,000	25,000
1952	subsidies for	253,000	25,000
1953	Transjordan forces	255,000	25,000
	cannot be estimated		
* British subsidy			
** Natives of Transjordan		86,000	
Arab refugees in Transjordan		18,000	
Natives of Arab Palestine		80,000	
Arab refugees in Arab Pales- tine		<u>63,000</u>	
Total under Transjordan authority		247,000	

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UNION OF SOUTH AFRICA

(a) The Union's will to resist Soviet military aggression would be strong.

(b) Since isolationism is also strong, the Union's willingness to support national rearmament to the maximum practicable extent from its own resources could be expected only in face of actual attack or real threat of attack to the Union or adjacent areas. A similar situation elsewhere on the African continent would probably produce a very considerable effort, as in World War II. In the present political atmosphere, the probability would be only such moderate effort as did not involve any civilian austerities.

(c) National income, 1947: Approximately \$2,940,000,000

Population: 11,392,000

Manpower potential: European males 15-49 totalled 604,000 of whom about 475,000 are fit for military service.

Native males fit for non-combat military service number 1,965,000. (Government racial restrictions prevent use of natives in armed forces except as non-combat (labor forces).)

By 1957 these figures should be: European males 15-49: 675,000 of whom 525,000 would be fit for military service.

Native males fit for service would be: 2,350,000

(d) Peacetime strength of army, navy, air force is 7,500 as of 1 January 1949 (authorized 8,840). In 1945, the armed forces totalled 345,000 of whom 220,000 were Europeans. (This represents approximately 20 percent of the European male population.)

1947-1948 budget expenditures totalled \$485,000,000 of which 12 percent or \$60,000,000 went to defense.

1949-1950 budget expenditures are estimated to total \$560,000,000.

The highest percentage of military expenditures occurred in 1942-1943 when 60 percent of the budget was so allocated (equivalent to 17 percent of the national income.)

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(e) Critical limiting factors with respect to the maintenance and development of the Union's ground, air, and naval forces are skilled labor shortage, inadequate transportation facilities, and a lack of materials, manufacturing equipment, and experience.

(f) Military aid required by the Union would be, as previously, in the form of material: aircraft, automatic weapons, tanks, and naval craft, as well as precision equipment and machine tools.

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APPENDIX A

	<u>Military Budget</u> (Dollars)	<u>Total Manpower</u> (Age 15-49)		<u>Maximum Practicable</u> <u>Strength of Armed</u> <u>Forces</u>
		<u>White</u>	<u>Native</u> (Labor)	
1948	\$60,000,000	610,000	2,340,000	7,500
1949	60,000,000	616,000	2,390,000	7,500
*1950	60,000,000	622,000	2,438,000	8,000
*1951	60,000,000	628,000	2,486,000	8,000
*1952	60,000,000	634,000	2,535,000	8,000
*1953	60,000,000	641,000	2,587,000	8,000

*No practical means exists for estimating the military budget beyond the current year.

YEMEN

(a) It is extremely unlikely that either the people or the ruler of Yemen has any will to resist Soviet aggression. The country is so isolated and its ruler so poorly informed on world affairs that it is impossible to attribute to Yemen a conscious will in regard to any problems not immediately affecting its own interests in the southwestern corner of the Arabian peninsula.

(b) Imam Ahmad, the autocratic ruler of Yemen, is probably already devoting a disproportionately high proportion of Yemen's income to his armed forces in order to maintain himself on the throne.

(c) No estimate can be made of Yemen's national income. A very rough estimate of Imam Ahmad's annual income is \$5,000,000. This figure was obtained from a comparison of Yemen's and Saudi Arabia's foreign trade statistics with the Saudi Arabian budget as a guide. Since all these sources are suspect, little reliance can be placed on the figure.

An estimate, probably low, of Yemen's population is 1,800,000. 413,000 are estimated to be males of military age.

(d) It is unlikely that Yemen could devote more than 20 percent, or \$1,000,000, of its hypothetical budget to its armed services. (See Appendix A.)

If necessary, Yemen could probably put 100,000 of its men into the armed forces without any serious consequences to the country's economy or political structure.

(e) There are no critical limiting factors with respect to the maintenance of Yemen's present armed forces, but if an attempt were made to develop and maintain even a moderately effective guerrilla force, the following critical limitations would apply: the extremely low health and educational standards of the people; the complete absence of any industrial potential; a primitive economy and political structure; and the isolationist policy of Yemen's ruler.

(f) In 1947, Yemen signed a \$1,000,000 surplus property credit agreement with the US, but it has made no attempt to obtain military (or any other) equipment under its terms. Although the Imam Ahmad would probably welcome military aid from the US in order to strengthen his own position, it is extremely unlikely that he would permit Americans to come to Yemen and supervise, in any way, the building up of Yemen's armed forces.

APPENDIX A

	<u>Military Budget</u>	<u>Total Manpower</u>	<u>Maximum Practicable Strength of Armed Forces</u>
1949	\$1,000,000*	413,000	20,000**
1950	1,000,000	416,000	15,000
1951	1,000,000	419,000	10,000
1952	1,000,000	422,000	10,000
1953	1,000,000	425,000	10,000

* A very rough estimate

** Present strength of the Yemeni Army.